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REAL NUTRICEUTICAL GROUP LIMITED

瑞年國際有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2010)

CONTINUING CONNECTED TRANSACTIONS

On 28 April 2016, the Company entered into the Master Purchase Agreement with Jiangsu Qianjin, in relation to the purchase by the Group of Pharmaceutical Products supplied by Jiangsu Qianjin for a fixed term of 3 years from 1 January 2016 to 31 December 2018, which constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Given that the highest applicable percentage ratio in relation to each annual cap amount of the Continuing Connected Transactions was more than 0.1% but less than 5%, the Continuing Connected Transactions under the Master Purchase Agreement are subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

THE MASTER PURCHASE AGREEMENT

On 28 April 2016, the Company entered into the Master Purchase Agreement with Jiangsu Qianjin in relation to the purchase by the Group of Pharmaceutical Products supplied by Jiangsu Qianjin. Principal terms of the Master Purchase Agreement are set out below.

Date of the Master Purchase Agreement	: 28 April 2016
Purchaser	: The Company (actual purchases may be made by the Company's subsidiaries)
Supplier	: Jiangsu Ruinian Qianjin Pharmaceutical Company Limited (江蘇瑞年前進製藥有限公司) ("Jiangsu Qianjin")

- Nature of transaction : Jiangsu Qianjin shall supply the Pharmaceutical Products, including but not limited to certain antibiotic tablets, antibiotic injection liquids and vitamin injection liquids and such other types of pharmaceutical products manufactured by Jiangsu Qianjin and agreed between both parties from time to time. However, the Group has the sole discretion to decide whether to place purchase orders with Jiangsu Qianjin and the Group is not legally bound to place purchase orders despite the entering into of the Master Purchase Agreement
- Term : A fixed term of three years with effect from 1 January 2016 to 31 December 2018 (both days inclusive), subject to early termination by either party by giving the other party not less than 30 days written notice. In the event any party breaches its obligations under the Master Purchase Agreement and/or individual purchase orders, the non-defaulting party shall be entitled to terminate the Master Purchase Agreement with immediate effect
- Price : The unit prices for the supply of the Pharmaceutical Products offered by Jiangsu Qianjin shall be at least the same as the selling prices of the Pharmaceutical Products sold by Jiangsu Qianjin to its other customers (taking into account all favourable terms such as discounts and special offers given to Jiangsu Qianjin's other customers), and the terms offered by Jiangsu Qianjin (including credit terms for payment) to the Group shall be no less favourable to the Group than the terms available to Jiangsu Qianjin's other customers (including but not limited to price, delivery schedule, discounts and credit terms)
- Individual purchase orders : Actual purchase of the Pharmaceutical Products may be made by the Group through placing of purchase orders with Jiangsu Qianjin from time to time at the sole discretion of the Group, which shall contain detailed terms including items of Pharmaceutical Products, unit prices, aggregate price payable under the purchase order, delivery date, payment terms, etc., which shall be concluded based on normal commercial terms that are fair and reasonable to the Group and in conformity to the provisions and principles set out in the Master Purchase Agreement

- Liability for breach : In the event that Jiangsu Qianjin fails to meet the delivery schedule or deliver the specified quantities in accordance with the delivery schedule specified in an individual purchase order, the Company shall not be obliged to pay the purchase price in respect of such quantity of the Pharmaceutical Products specified in the relevant individual purchase order and the Company shall be entitled to terminate the Master Purchase Agreement with immediate effect and claim for compensation for the damages suffered by the Group as a result of the breach. In the event of any other breaches of the obligations under the Master Purchase Agreement by either party, including but not limited to the breach of product warranties by Jiangsu Qianjin in respect of the Pharmaceutical Products, or failure of the Group to pay the consideration in accordance with the agreed payment term after acceptance of delivery by the Group, the non-defaulting party shall be entitled to terminate the Master Purchase Agreement with immediate effect and claim for compensation for the damages suffered by the non-defaulting party as a result of the breach
- Annual cap amounts : The annual cap amount of the purchases made by the Group for each of the three years ending 31 December 2016, 2017 and 2018 will be not more than RMB20 million (equivalent to approximately HK\$25 million)

The consideration payable by the Company under the Master Purchase Agreement will be funded by the Group's internal resources.

REASONS FOR ENTERING INTO THE MASTER PURCHASE AGREEMENT

The Company is an investment holding company while the Group is principally engaged in the manufacture and sale of health and nutritional supplements, beverages and pharmaceutical products.

The Group has from time to time but not on a regular basis purchased certain of the Pharmaceutical Products from Jiangsu Qianjin for the purpose of re-selling such products to pharmaceutical stores or hospitals in the PRC in the Group's ordinary and usual sources of business. As the Company considered that the cooperation with Jiangsu Qianjin has been smooth and the anticipated market demand in the Group's re-selling of the Pharmaceutical Products, the Company intends that the purchase of the Pharmaceutical Products from Jiangsu Qianjin would extend over a period of time. Therefore, the Company has decided to enter into the Master Purchase Agreement to govern the terms and conditions of the purchases from Jiangsu Qianjin which may be made by the Group from time to time on a more regular basis which constitute continuing connected transactions under Chapter 14A of the Listing Rules. The Directors (including the independent non-executive Directors) consider that the Continuing Connected Transactions contemplated under the Master Purchase Agreement are of the type that are entered into in the ordinary and usual course of business of the Company and the terms of the Master Purchase Agreement were reached

between the Company and Jiangsu Qianjin through arm's length negotiations, on normal commercial terms and the terms are no less favourable to the Company than those available by Jiangsu Qianjin to its other customers which are Independent Third Parties.

Annual cap amounts

The annual cap amount of the Continuing Connected Transactions under the Master Purchase Agreement for each of the three years ending 31 December 2016, 2017 and 2018 will be not more than RMB20 million (equivalent to approximately HK\$25 million). The annual cap amounts were determined with reference to (i) the historical amount of purchases made by the Group of the Pharmaceutical Products; (ii) the anticipated growth in demand for the Pharmaceutical Products to be traded by the Group in each of the three years ending 31 December 2016, 2017 and 2018; and (iii) providing sufficient level of flexibility for administration, compliance and reporting purposes for compliance with the Listing Rules requirements for continuing connected transactions.

Historical figures

The amount of purchases made by the Group during the years ended 31 December 2014 and 2015 and the period from 1 January 2016 to 28 April 2016 amounted to approximately RMB7,938,000 (equivalent to approximately HK\$9,922,500), approximately RMB7,271,000 (equivalent to approximately HK\$9,088,750) and approximately RMB1,952,000 (equivalent to approximately HK\$2,440,000), respectively.

Given that the purchase price and other terms of the purchases under the Master Purchase Agreement offered by Jiangsu Qianjin to the Group shall be no less favourable to the Group than the terms made available by Jiangsu Qianjin to its other customers which are Independent Third Parties (taking into account but not limited to price, discounts and credit terms), the Board (including the independent non-executive Directors) confirms that the Continuing Connected Transactions under the Master Purchase Agreement are entered into in the ordinary and usual course of business of the Group, on normal commercial terms, and the terms of the Master Purchase Agreement and the annual caps are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

Jiangsu Qianjin is owned as to approximately 6.45% by Mr. Wang Fucui, an executive Director and a substantial Shareholder of the Company, and the remaining approximately 93.55% is held by a company which is wholly-owned by Mr. Wang Futing, elder brother of Mr. Wang Fucui. As Mr. Wang Futing is an associate of Mr. Wang Fucui pursuant to Chapter 14A of the Listing Rules, Jiangsu Qianjin which is controlled by Mr. Wang Futing is also an associate of Mr. Wang Fucui and accordingly, the entering into of the Master Purchase Agreement and the purchases to be made thereunder constituted continuing connected transactions under the Listing Rules. Given that the highest applicable percentage ratio in relation to each annual cap amount of the Continuing Connected Transactions was more than 0.1% but less than 5%, the Continuing Connected Transactions under the Master Purchase Agreement are subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

RATIFICATION OF PREVIOUS CONNECTED TRANSACTIONS

Jiangsu Qianjin had previously been wholly-owned by Mr. Wang Fucui until in February 2012, Mr. Wang Fucui had sold approximately 93.55% of the effective equity interest of Jiangsu Qianjin to a company which is ultimately wholly-owned by Mr. Wang Futing. Since then, the shareholding interest of Mr. Wang Fucui in Jiangsu Qianjin had been reduced to approximately 6.45% and Mr. Wang Fucui had resigned as a director of Jiangsu Qianjin and was no longer involved in the management and business operation of Jiangsu Qianjin but merely as a minority shareholder and a passive investor.

Since 2013, the Group initially in its ordinary and usual sources of business purchased the Pharmaceutical Products on trial basis from Jiangsu Qianjin and the percentage level of the applicable ratios prescribed under the Listing Rules in respect of the amount of purchases on aggregate basis have exceeded 0.1% but less than 5%, resulting in such connected transactions being subject to the reporting and announcement requirements under the Listing Rules. Due to inadvertent omission and unintentional oversight, such purchases have not been previously announced in a timely manner in accordance with the Listing Rules. The purchases were entered into based on individual purchase orders which set out the type and unit price of each Pharmaceutical Product ordered, total purchase price payable thereunder, delivery date and credit terms for payment agreed upon between both parties. Payments of such purchases were settled in cash and payable within 30 days upon the acceptance of delivery of the Pharmaceutical Products. The selling prices of the Pharmaceutical Products sold by Jiangsu Qianjin in the previous connected transactions were determined based on the selling prices of Jiangsu Qianjin offered (including but not limited to all favourable terms such as discounts and special offers that might be offered by Jiangsu Qianjin) to its other customers which are Independent Third Parties and the terms offered by Jiangsu Qianjin to the Group were no less favourable to the Group than the terms made available by Jiangsu Qianjin to its other customers.

The Directors considered that the purchases of the Pharmaceutical Products from Jiangsu Qianjin made by the Group prior to 2016 were conducted on normal commercial terms which were determined based on arm's length negotiations and on terms no less favourable to the Group than the terms (including but not limited to price, delivery schedule, discounts and credit terms for payment) available to Jiangsu Qianjin's other customers which are Independent Third Parties. Taking into account the above, the Directors (including the independent non-executive Directors) consider that the conduct and the terms of the previous purchases made with Jiangsu Qianjin were fair and reasonable and in the interests of the Company and its Shareholders as a whole, and have therefore approved, confirmed and ratified the same in a Board meeting held on 25 April 2016.

The Company, after discovering the incident, has notified the Board of the abovementioned inadvertent omission and has entered into the Master Purchase Agreement to better regulate the respective rights and obligations of the Company and Jiangsu Qianjin in conducting the purchases and ensure compliance with the principles of connected transactions under the Listing Rules and publish this announcement to re-comply with the relevant announcement requirements under the Listing Rules. The Board considers that such incident was inadvertent, unintentional and an isolated event. In order to prevent a recurrence of a similar event in future, the Company will take the following steps to tighten its compliance system:

- (a) the Board has designated Mr. Zhang Yan, an executive Director, and Mr. Xu Huafeng, an independent non-executive Director (“Designated Directors”), to closely monitor the Continuing Connected Transactions under the Master Purchase Agreement, including but not limited to the aggregated value of the Continuing Connected Transactions in each of the three years ending 31 December 2016, 2017 and 2018, checking with the marketing and sales department on the forecasted volume of the Continuing Connected Transactions, the applicable percentage ratios in respect of the accumulative transaction amounts on a monthly basis;
- (b) the aggregated value of the Continuing Connected Transactions for each quarter and the proposed purchase value of the Continuing Connected Transactions for the immediate following quarter will be reported to the Designated Directors and the Board at every quarter of the year for review and for Designated Directors’ approval. No purchases will be made in the following quarter unless the proposed purchase value of the Continuing Connected Transactions has been approved by the Designated Directors;
- (c) in the event that the aggregated value of the Continuing Connected Transactions is about to exceed the annual cap, the Company will cease to make any further purchase under the Master Purchase Agreement to ensure that the annual caps will not be exceeded, until the Company could re-comply with all the applicable disclosure requirements, and where applicable, independent Shareholders requirement, under Chapter 14A of the Listing Rules;
- (d) the Designated Directors will also keep track of the applicable benchmarks for calculating the percentage ratios prescribed under the Listing Rules in respect of the aggregated value of the Continuing Connected Transactions and also the proposed purchase value of the Continuing Connected Transactions on a monthly basis. In the event that the aggregated value of the Continuing Connected Transactions and the proposed purchase value thereof might result in the Continuing Connected Transactions being subject to independent Shareholders approval requirement under Chapter 14A of the Listing Rules, the Designated Directors will report to the Board promptly and Company will then cease to make any further purchase under the Master Purchase Agreement until the Company could re-comply with all the applicable disclosure requirements including the independent Shareholders requirement, under Chapter 14A of the Listing Rules, or (where applicable) wait until the beginning of following financial year so that the annual cap for that following year is available to be utilized.

As Mr. Wang Fucui has a material interest in the Master Purchase Agreement and Continuing Connected Transactions thereunder and the previous purchases of Pharmaceutical Products from Jiangsu Qianjin, he has abstained from voting on the relevant board resolutions for approving the Master Purchase Agreement, the annual caps for the Continuing Connected Transactions thereunder and for approving and ratifying the previous purchases made by the Group from Jiangsu Qianjin which constituted connected transactions under the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Real Nutraceutical Group Limited, a company incorporated in Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Continuing Connected Transactions”	the sale and purchase of Pharmaceutical Products between the Group as purchaser and Jiangsu Qianjin as supplier as contemplated under the Master Purchase Agreement
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as may be amended, supplemented and modified from time to time
“Master Purchase Agreement”	the master purchase agreement entered into between the Company and Jiangsu Qianjin dated 28 April 2016 for a fixed term commencing from 1 January 2016 to 31 December 2018 in respect of the supply of Pharmaceutical Products by Jiangsu Qianjin to the Group

“Pharmaceutical Products”	pharmaceutical products means certain antibiotic tablets, antibiotic injection liquids and vitamin injection liquids and such other types of pharmaceutical products manufactured by Jiangsu Qianjin and agreed between both parties from time to time
“PRC”	the People’s Republic of China which, for the purpose of this circular, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company, or if there has been a subdivision, consolidation, reclassification of or reconstruction of the share capital of the Company, shares forming part of the ordinary share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“%”	per cent.

In this announcement, unless otherwise specified, RMB has been converted into HK\$ at the exchange rate of RMB1: HK\$1.25 for illustrative purpose only. Such conversion shall not be construed as representations that amount of RMB was or could have been converted into HK\$ at such rate or any other exchange rates.

By order of the Board
Real Nutraceutical Group Limited
Poon Yick Pang, Philip
Company Secretary

Hong Kong, 29 April 2016

As at the date of this announcement, the executive Directors are Mr. Wang Fucai, Mr. Yu Yan, Mr. Li Lin, Mr. Yi Lin, Mr. Zhang Yan and Ms. Au-Yeung Kam Ling Celeste; the non-executive Directors are Mr. Ip Tak Chuen Edmond and Mr. Tsang Sze Wai Claudius; the independent non-executive Directors are Dr. Wong Lung Tak Patrick, BBS, J.P., Dr. Fong Chi Wah, Mr. Xu Hua Feng and Mr. Chan Kee Ming.